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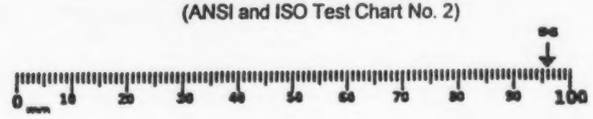

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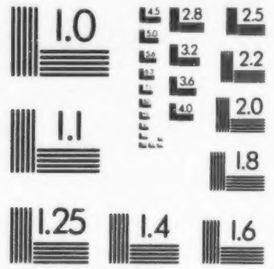

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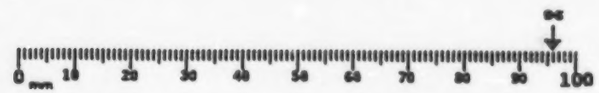

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72 ANNUAL REPORT

Back
Inform

chewan Telecommunications

Regina, Saskatchewan
February 23, 1973.

To His Honour,
The Honourable Stephen Worobetz, M.C., M.D.,
C.R.C.S. (C)
Lieutenant Governor of the
Province of Saskatchewan.

Sir:

I have the honour to submit herewith the annual report of Saskatchewan Telecommunications for the year ending December 31, 1972 including the financial statement therefor, duly certified by the Provincial Auditor, and in the form approved by the Treasury Board, all in accordance with the Saskatchewan Telecommunications Act.

I have the honour to be Sir,
Your obedient servant,

Minister of Telephones and Chairman
Saskatchewan Telecommunications.

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101-03328/

SASK TEL
HIGHLIGHTS
Annual Report 1972

- SASK TEL phones in service increased by 5.0% to 344,661 at the end of 1972.
- Over 23,170,000 long distance messages originated in Saskatchewan in 1972 ... 12.2% greater than the previous year.
- New long distance rate schedule, including one minute minimum, introduced.
- Thirteen northern radio-telephone agency offices established.
- Extensions of the microwave network into Northern Saskatchewan commenced.
- Thirty-one exchanges converted to dial operation.
- Fifty-one exchanges connected to the Direct Distance Dialing network.
- Over 1,300 new telephones added under the "Unserved Area" program at a cost of $1,746,000.
- The value of telephone property increased by $15.4 million to $257,749,000.
- Operating revenues increased by 10.9%; operating expenses by 10.9%.
- Net income amounted to $14,435,000.
- $7,200,000 was appropriated as a dividend to the Province of Saskatchewan.

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DIRECTORS*

HON. J. E. BROCKELBANK – Chairman
HON. N. E. BYERS – Regina
W. E. CLARKE – Regina
J. D. NIEMAN – Engelfeld
MRS. F. PETERSON – Biggar
F. SENFT – Lipton
A. A. VOEGELI – Maymont
J. J. WEST – Foam Lake

Hon. J. E. Brockelbank

Hon. N. E. Byers

W. E. Clarke

J. D. Nieman

Mrs. F. Peterson

F. Senft

A. A. Voegeli

J. J. West

OFFICERS*

General Manager – G. D. McCORMICK
Assistant General Manager – Operations – A. G. THOMAS
Comptroller – A. L. M. NELSON
General Personnel and Public Relations Manager – J. HOUSTON
General Counsel and Secretary to the Board – T. A. HOWE
Chief Engineer – S. F. LEE
General Commercial Manager – F. A. DEGENSTEIN
General Plant Manager – H. E. FREBERG
General Traffic Manager – E. A. McKILLOP

*as at December 31, 1972

G. D. McCormick

A. G. Thomas

A. L. M. Nelson

J. Houston

T. A. Howe

S. F. Lee

F. A. Degenstein

H. E. Freberg

E. A. McKillop

Annual Report 1972

Review of Activities

INTRODUCTION

SASK TEL completed twenty-five years of service as a crown corporation midway through 1972. Created by the legislature on June 1st, 1947 for the purpose of carrying out the commercial functions of the then thirty-nine year old Department of Telephones, the corporation has had tremendous growth over the years in extending basic telephone service to the people of Saskatchewan.

Since 1955, building on its backbone portion of the nation-wide microwave network, SASK TEL has extended high grade long distance circuits to its exchanges and has carried television programs to broadcast stations throughout the province. In the last decade facilities have been established to carry data signals over its network to meet the demand for the burgeoning computer communication needs of the country. The growing sophistication of its networks, its switching systems and the diversification of its customer services reflects the image of the corporation as not "just a telephone company" but a carrier of video, voice, and data to meet the changing needs of people communicating with people.

Continuing programs designed to bring local dial service, direct distance dialing, and first-time service to some farming areas of the province are nearing completion. All three are in the final phases and should be completed in 1974.

The energies of the corporation are now turning to the provision of new services by the extension of the microwave network into northern Saskatchewan and by the development of a local co-axial cable facility in each of the major centers of the province.

The former is the second phase of the program, begun in the latter part of 1971, to bring nation-wide telephone service to Northern Saskatchewan. With the completion of the planned microwave system, long distance service to and from most points will be upgraded to the standard of services in the rest of the province.

During 1972 both the number of telephones added and the number of originating long distance calls exceeded forecasts. This resulted in an increase in revenue for the corporation. However, the new one minute rate schedule for customer dialed long distance calls is expected to reflect savings to the subscriber and decrease the revenue per message the corporation will receive. It is too early to predict to what extent the new schedule will increase long distance usage.

SASK TEL continued to participate, along with other members of the Trans-Canada Telephone System, in the development of nation-wide computer communications networks and with Telesat Canada in establishing a Canadian domestic satellite system. The Telesat satellite, Anik I, was launched November 9th, 1972.

MORE PHONES FOR MORE PEOPLE

Over 3,000 more telephones were installed in 1972 than were added in 1971. The net increase was 16,535 or 5% more phones in service than at the previous year end. To accomplish this, extra demands were made on SASK TEL's work force which connected 110,233 telephones and disconnected 93,698 over the year ... about a 10% increase in this work activity. As a final result there were 344,661 SASK TEL phones in service at the end of 1972.

Contributing to this gain, but more important to the security and life-style of the people they serve, were the twelve hundred and fifty new telephones installed under the Unserved Area program and the fifty services established on Indian Reserves during the year. These programs, at a cost of 1.7 million dollars, extended service to 50% more people than was accomplished in the previous year. From the start of the program to the end of the year 4,500 telephones, or about 75% of the total forecast, were put in service.

Planning work has commenced to establish a new automatic exchange at La Loche. Installation is expected to start in the latter part of 1973. It will later be connected to the new microwave system in Saskatchewan's northwest. This is the forerunner of similar projects contemplated to bring local and regular long distance service to northern Saskatchewan.

Also a factor in the growth of SASK TEL phones in service was the transfer of 339 telephones from rural company-served to SASK TEL-served. These were in the main, services previously provided by rural telephone companies in villages and hamlets not served by SASK TEL. However, the 814 rural telephone companies whose services are switched by SASK TEL, recovered this loss partially by acquiring new subscribers bringing their year-end total to 50,616 telephones.

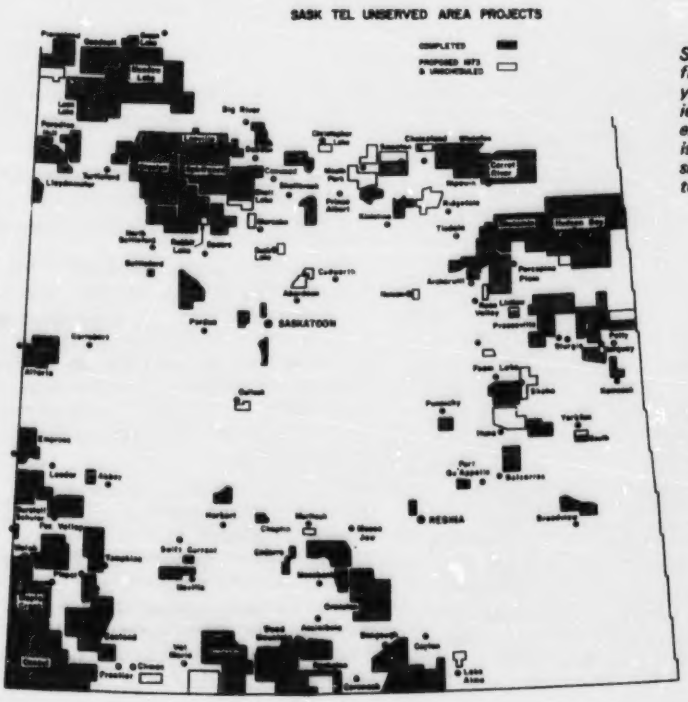
SASK TEL now collects long distance charges directly from 30,700 of the 50,600 rural telephone company subscribers. The proportion increases as rural telephone companies, connected to a single exchange, amalgamate.

RECORD GROWTH IN LONG DISTANCE CALLING

Saskatchewan telephone users set new records in the use of long distance service. Continuing a rising trend in usage, over two and a half million more long distance calls originated in the province in 1972 than in 1971. Both the total messages, 23,170,000, and the increase are greater than in any previous year. The gain represents a 12.2% increase over the 1971 totals. This compares with a 9.3% increase last year.

With the extension of direct distance dialing capabilities to subscribers in the Humboldt, Kindersley and Wadena areas, and to the new community dial offices as they were cut into service, SASK TEL customers dialed 61% of their long distance calls. This was up from the 1971 figure of 53%. By the end of December, following the introduction of a new long distance rate schedule, customer dialed calls were exceeding 70% of originated long distance traffic. Over 97% of all telephones in Saskatchewan now have access to the direct distance dialing network.

The long distance rate schedule which went into effect on November 5th, 1972 no doubt contributed to the increase in the volume of customer dialed calls.



SASK TEL's Unserved Area Program brought first-time telephone service to 1,250 farms last year. Designed to bring service to farms identified as being outside the serving areas of existing rural telephone companies, the program is expected to be completed in 1974. The shaded areas in the map are those completed to date.

SASK TEL buried over 1,550 miles of cable in 1972 to bring the total miles of buried cable in service to 6,953. Most of the cable is manufactured in Saskatchewan.

Highlights of the new schedule were the introduction of a one minute minimum for calls dialed by the customer; three classes of calls (in place of two) . . . customer dialed calls, operator-handled station calls, and operator-handled person-to-person calls; uniform additional minute rates; and new discounts for evening and Sunday, and late night calls.

The maximum charge for a customer-dialed one minute daytime call anywhere in the province is now 52 cents instead of the $1.45 charged under the former rate schedule. Since forty-five percent of the long distance intra-province calls have been of two minute duration or less, the new - one minute minimum represents an opportunity for substantial savings to Saskatchewan long distance telephone users.

Not all long distance charges were reduced under the new schedule. There was a general increase in the cost of operator-handled calls. Person-to-person calls of distances up to sixty miles cost substantially more than formerly.

Under the new schedule, the initial three-minute rate for operator-handled and person-to-person calls are no longer reduced in the evening and late night periods. This approach recognizes that operator costs do not decrease according to the time of day.

A new system of discounts was included in the new schedule. They apply only to customer-dialed calls and to the time beyond the first three minutes on operator-handled station calls. These new discounts are 30 per cent on Sundays between 8:00 a.m. and 6 p.m. and daily (including Sundays) from 6:00 p.m. until midnight. A 50 per cent discount applies every day from midnight to 8:00 a.m. All times are central standard throughout the province. There are no discounts on person-to-person calls.

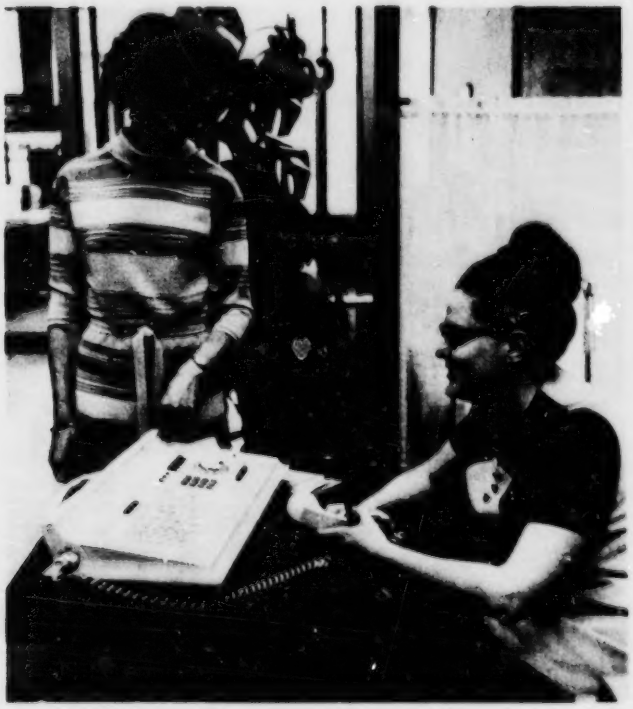
The design of the new schedule is fairer and more equitable in that those customers who use the assistance of an operator pay for this service while those placing their own calls pay less. Those who talk for two minutes or less are no longer charged for a three minute call if they dial it themselves. The "customer dialed" rates apply to station operator-handled calls in the remaining manual offices until such time as the exchanges are converted to dial. It is anticipated that if telephone users take advantage of the new customer-dialed rates savings to them of over $2,000,000 annually can be realized.

FACILITIES IMPROVED AND EXTENDED

Of the $25.6 million spent on construction programs, in excess of $23,800,000 was used to extend both local and long distance services and improve the quality of those services. Without considering new telecommunications services, SASK TEL must meet average annual growths of 4%-5% in the number of subscribers and 6%-7% in the volume of long distance messages.

During 1972 additions to existing dial offices and the conversion of 31 manual exchanges to automatic operation extended dial service to over 20,100 SASK TEL phones and to over 2,650 rural company subscribers. This increased the percentage of the phones in Saskatchewan having automatic service to 98.4%. SASK TEL phones are now over 98.9% dial and rural company phones 95.1% dial. The remaining manual phones – presently 3,894 SASK TEL and 2,484 rural company owned – are scheduled for conversion by mid 1974.

During 1972, the percentage of phones in the province having access to the direct distance dialing network increased by over 5% to 97% at the year end. This was the combined effect of the additions accompanying the dial conversion program and the additions of local dial offices in the Humboldt,



SASK TEL is continually looking to new or improved equipment which will provide better and more up-to-date services to its customers. The first electronic customer PABX in Canada was installed last year for a customer in Regina.

A new lightweight headset is now being used by SASK TEL's operators. The headset, featuring a tiny microphone which cancels out background noise, is also available to customers.

Kindersley, and Wadena toll center areas.

By the end of 1972, the number of telephones per hundred population had increased to 43 from 41 during the year.

SASK TEL's Northern Radio-Telephone Service was expanded from the two agencies at La Loche and Stony Rapids which went into service in December of 1971, to fifteen by the end of 1972. Agencies put into service were: Black Lake (Oct. 31), Canoe Lake (June 27), Dillon (June 29), Fond du Lac (Nov. 1), Missinipe (Oct. 20), Patuanak (July 27), Pelican Narrows (Nov. 23), Pinehouse (Nov. 17), Sandy Bay (Nov. 15), Southend (Nov. 23), Stanley Settlement (Oct. 24), Sturgeon Landing (Nov. 16), and Turnor Lake (June 28). The establishment of northern radio-telephone agencies are planned for service in 1973 at Collins Bay, Dore Lake, Kinoosao, Molanosa, Sucker River, Taylor Lake, Wollaston Lake Highway, and Wollaston Lake Post.

Coincident with the establishment of these agencies SASK TEL has started the construction of two new backbone microwave routes which will be capable of bringing standard telephone service to many points in the north. Establishment of local exchange service will be done in consultation with residents in those communities of sufficient size to warrant such services.

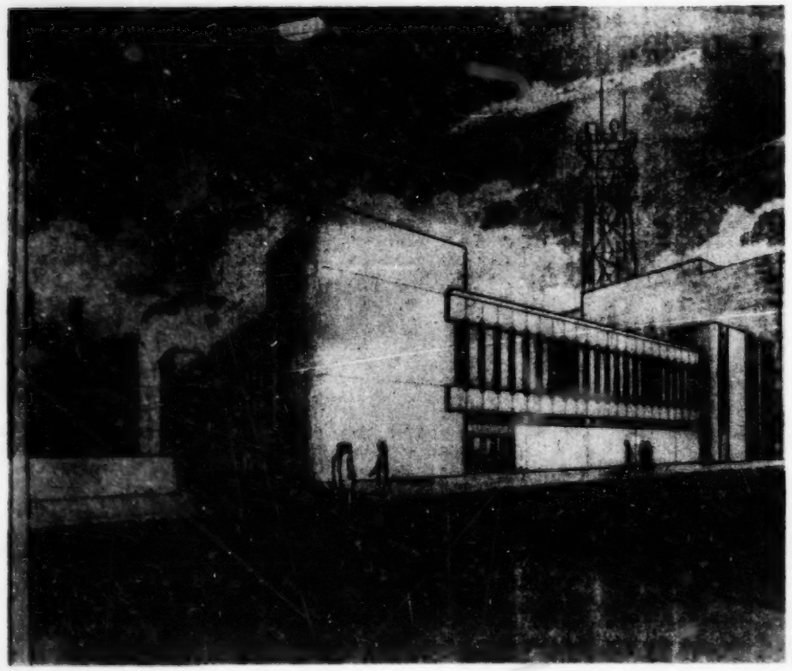
The two new microwave routes are illustrated on the inside cover of this report.

The western system will eventually connect La Loche, Buffalo Narrows, Ile-a-la-Crosse, and other large intermediate communities to the regular telephone network at North Battleford. Part of the system will also be used to provide long distance service for future dial offices replacing the manual exchanges at Loon Lake, Pierceland, and Goodsoil. In addition it will improve telephone service between North Battleford and the Meadow Lake area.

The microwave system, which will connect Prince Albert to Wollaston Lake and which is expected to be completed in the latter part of 1973, is scheduled to be extended to Uranium City in 1974. The portion of the system, from Prince Albert to La Ronge, will replace an existing system and will include a one-way video channel to La Ronge to allow for an extension of the CBC television network to that community.

When complete these two systems will extend direct distance dialing to Uranium City which now requires operator assistance, and to Buffalo Narrows and Ile-a-la-Crosse which are now served by radio-telephone.

Elsewhere in the province SASK TEL continued expansion and modernization programs involving the use of point-to-point radio and buried cable to assure high reliability and lower maintenance costs. More than 1,550 miles of cable was buried during 1972 and brought the total miles of buried cable to 6,953. (These figures do not include buried wire between cable terminals and customer premises). Long distance circuits which are still carried on open wire are progressively being replaced. They presently account for only 2% of the circuit miles now in use.



Tenders were being called at the year-end for this two storey equipment building to be located immediately north of SASK TEL's main exchange building in Regina. The building will house a new local electronic switching machine scheduled for in-service in 1975. A similar machine will be installed in Saskatoon in 1974.

NATION-WIDE TELECOMMUNICATIONS

Customer demands for nation-wide computer communications services has prompted the member companies of the Trans-Canada Telephone System to respond in concrete terms. Last year a trial digital network which linked Toronto, Ottawa and Calgary using in part SASK TEL facilities, was established. Employing existing microwave structures the network will be extended coast-to-coast in the 1974-76 period.

To more adequately meet and service the requirements of computer customers, a Computer Communications Group has been formed. The Group will make available a greater depth of expertise to all customers, since each member company will have the resources of all eight companies to call upon. The Computer Communications Group will bring increased emphasis to data communications on the part of all members of the Trans-Canada Telephone System, resulting in more flexible organizations to serve that market.

A new organization, the Canadian Telecommunications Carriers Association, replacing the 50 year old Telephone Association of Canada, was established during the year. It proposes to provide the framework for broader industry-wide co-operation in today's rapidly changing telecommunications environment. It is composed of the major telephone companies, the telegraph companies, Canadian Overseas Telecommunications Corporation, Telesat Canada, and the Canadian Independent Telephone Association. Its objective is to identify, discuss and resolve problems, issues and policies on a total carrier industry basis. It provides a consolidated identity for the industry and deals with government and the public on behalf of the industry on matters which are industry-wide in nature. On the technical side, it represents the industry on a national and international basis.

SASK TEL was a charter member of the Telephone Association of Canada and is a member of the new organization. G. D. McCormick, SASK TEL's General Manager, was the new organization's first president. It should be noted that the Trans-Canada Telephone System, which also grew out of the Telephone Association of Canada, comprises only those telephone companies who jointly own and operate the nation-wide long distance telephone network.

NEW SERVICES FOR THE FUTURE

In addition to SASK TEL's modernization program which will improve the level of basic services, work is underway for the installation of electronic switching machines. The machines which will allow for such new services as abbreviated dialing for frequently called numbers and call forwarding, as the demand warrants, are scheduled for in-service dates at Saskatoon in 1974 and Regina in 1975.

The machine in Saskatoon will be installed in the main exchange building but necessitates the relocation of the system's commercial offices. The Saskatchewan Transportation Company's depot has been acquired to accommodate these offices. In Regina the machine will be located in the extension to the main exchange building for which tenders were being called at the year-end.

In an announcement by the provincial government in October 1972, Saskatchewan Telecommunications was designated as the carrier for cable television within the province. SASK TEL will own the physical system to ensure uniformity and high quality of service. Cablecasting is dependent on the formation of community groups licensed to undertake the programming function.

A secretary operates the keyboard of the video display screen of VUcom I, a new data terminal introduced by the Computer Communications Group of the Trans-Canada Telephone System. With its optional features such as the noiseless, single-copy printer shown in the centre of the three-unit configuration and the magnetic tape cassette recorder to the left, VUcom I can be adapted to numerous specialized office requirements such as data retrieval.

PERSONNEL

The recognition in 1972 of forty-six employees who had attained twenty-five years of service with SASK TEL was evidence of the experience and dedication company personnel have in the industry. Of the 1,279 men and 1,277 women who make up SASK TEL's working forces over 240 have been with the corporation twenty-five years or more. SASK TEL recognizes with thanks the contribution its staff has made to the achievements the corporation recorded during the year.

A two year agreement with the Communications Workers of America was concluded in the early part of the year. This agreement continues in force until September 30th, 1973. Union-management meetings to discuss matters of mutual interest were held as required throughout the year.

With the establishment of the Occupational Health Act, SASK TEL's health and safety program entered a new phase. Thirteen occupational health committees, comprising 96 members and co-chaired by union and management, were organized in SASK TEL work locations in the province.

The growing diversification and complexities of communications services the corporation provides have required constant up-grading of skills. To meet these demands over 2,033 employees took part in 136 "in-hours" courses of instruction. "Off-hours" courses of study were also pursued by members of the staff. The corporation shares in the cost of courses which are judged to enhance the proficiency of its staff.

SASK TEL employees continued to participate in community activities as leaders, canvassers, directors, or counsellors, of a wide range of community organizations. In excess of $36,000 was contributed through employee managed benevolent funds to United Appeals and other similar national campaigns during the year.

FINANCIAL

Net income for 1972 amounted to $14.4 million compared with $12.7 million in 1971. This represents a year to year increase of $1.7 million or 13.5%.

Operating revenues of $59.8 million for the year reflected an increase of $5.9 million or 10.9% over the previous year. Local service revenues at $19.8 million were up $1 million or 5.6% from the 1971 level. Toll service revenues accounted for $4.6 million of the increase and amounted to $38.1 million representing nearly 64% of total operating revenues.

Toll revenues derived from traffic interchanged with other Canadian telephone companies are a significant portion of revenues representing nearly 36.5% of the total. The 13.8% increase in toll revenue is due to the healthy growth in toll traffic during the year and reflects a buoyant economy in the province as well as elsewhere in Canada.

Other revenues comprising mainly directory advertising revenues and rentals amounted to $2.1 million, up 11.4% from the previous year's level.

The growing diversification and complexities of communications service provided by SASK TEL requires constant up-grading of skills. In 1972, 2,033 employees took part in 136 "in-hours" courses of instruction. The company's training program has caught the interest of directors of training from such distant places as Ghana.

Operating expenses in 1972 amounted to $39.6 million reflecting an increase of $3.9 million or 10.9% over the previous year's figure. The two major components of operating expense, namely salaries and wages and depreciation represent 75.1% of the total and account for $2.8 million of the increase. Salaries and wages charged to operations during 1972 amounted to $15.9 million, up $1.9 million, or 13.7% from the 1971 level. This increase reflects added staff required to handle the increasing work load as well as the increases in salary and wage levels.

Depreciation expense amounted to $13.6 million, a year to year increase of $.9 million or 7.1% reflecting additions to plant in service.

All corporation employees were covered by federal Unemployment Insurance effective January 1, 1972, resulting in additional cost to SASK TEL of approximately $93,000 in 1972.

The corporation's contribution towards the cost of employee pension benefits in the year amounted to $2.1 million, an increase of $549,000 over the 1971 figure. Some $400,000 of the increase represents additional contributions to ensure that the SASK TEL Superannuation Fund will remain adequate to meet its future pension obligations.

Grants in lieu of taxes totalling $661,900 were paid to rural and urban municipalities in 1972, about $50,000 higher than in 1971. These grants are based on the standard assessment and mill rates as applied to corporation property located throughout the province.

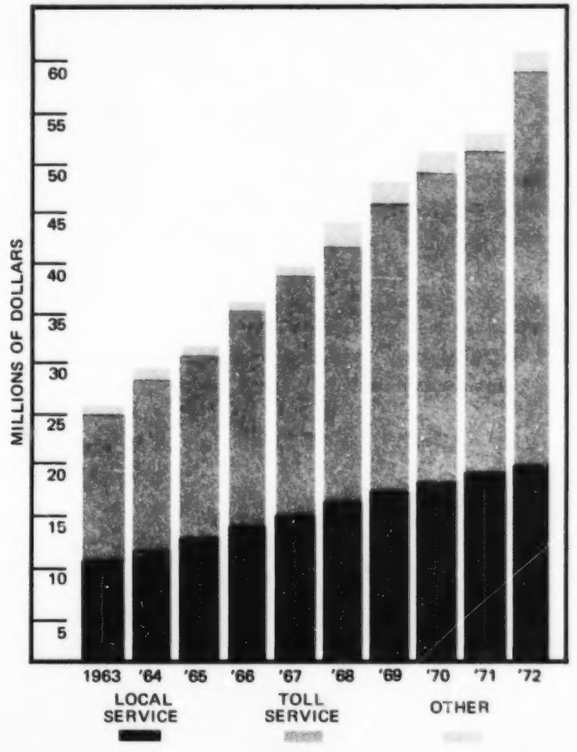
Interest and related costs in 1972 amounted to a net of $6 million, an increase of $366,000 or 6.5% over the 1971 figure.

An amount of $7.2 million representing approximately one-half of the year's net earnings was appropriated as a dividend to the Province of Saskatchewan and the balance was used to help finance the year's capital program.

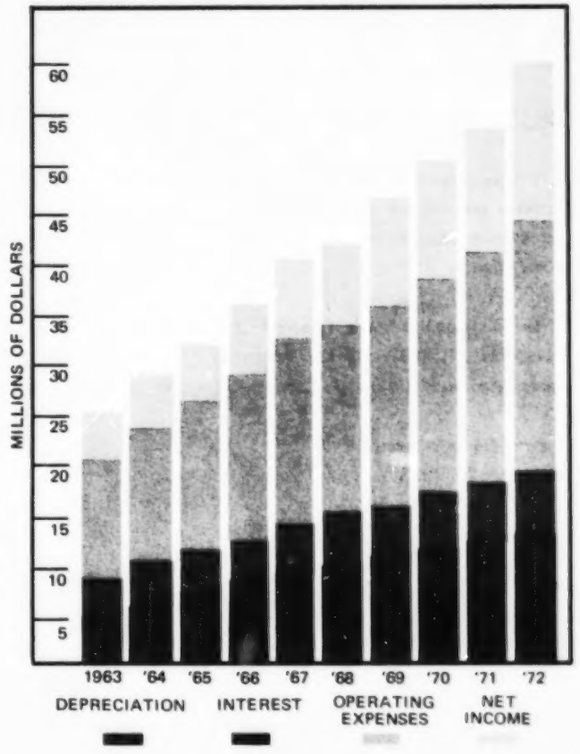
Construction spending in 1972 exceeded $25.6 million and resulted in a net increase in telephone plant of $15.4 million. Additional capital advances of $15 million were received from the Minister of Finance. These were derived from Canada Pension Plan funds borrowed by the province at an average annual cost of 7.5% to the corporation. A net amount of $4.8 million was repaid on the bank line of credit reducing the year-end balance to $7 million.

Under the revised sinking fund policy $14.8 million of advances were retired prior to maturity through cancellation of Province of Saskatchewan bonds and debentures held in the sinking fund. This resulted in a gain for SASK TEL of $1.1 million which will be taken into income gradually over the remaining lives of the provincial bond issues involved in the cancellation.

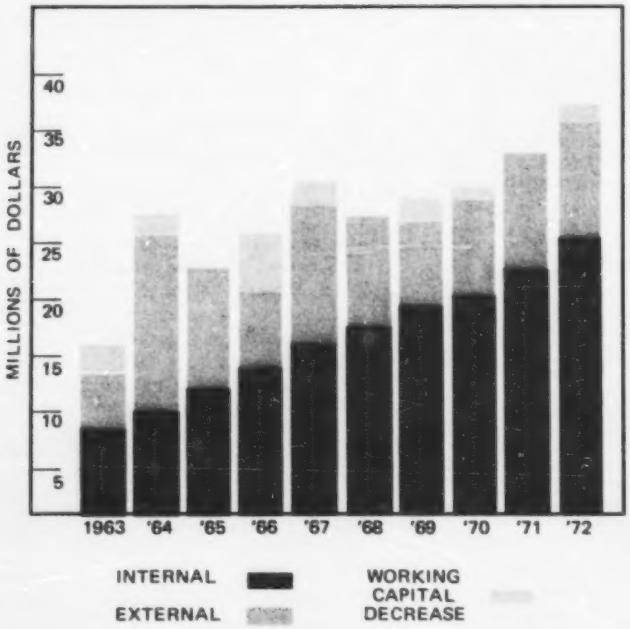
SOURCES OF THE INCOME DOLLAR



DISPOSITION OF THE INCOME DOLLAR



SOURCES OF THE CAPITAL DOLLAR



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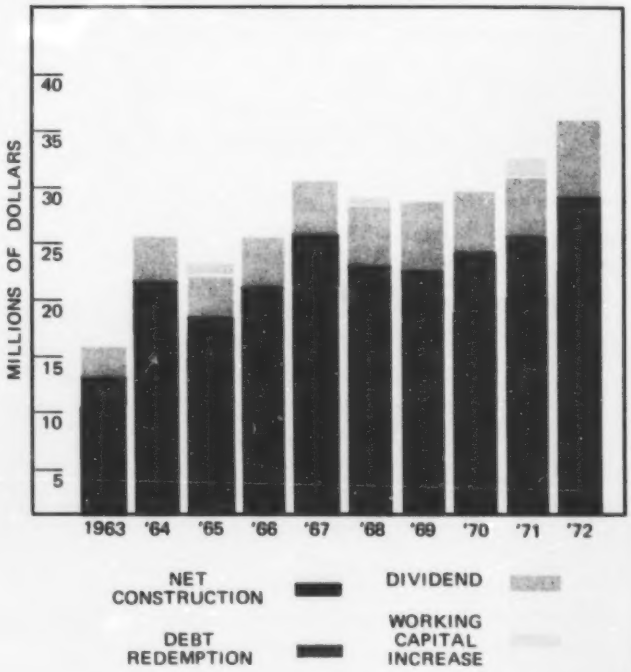


AUDITOR'S REPORT

I have examined the balance sheet of Saskatchewan Telecommunications as at December 31, 1972 and the statements of income and source and disposition of funds for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of Saskatchewan Telecommunications as at December 31, 1972 and the results of its operations and the source and disposition of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan
February 16, 1973.

W. G. Lutz, C.A.,
Provincial Auditor

Saskatchewan Telecommunications

STATEMENT OF INCOME

For the Year Ended December 31, 1972 (1971)

	1972	1971
OPERATING REVENUES		
Local Service	$ 19,810,267	$ 18,766,981
Toll Service	38,103,772	33,483,624
Other Revenues (Note 1)	2,073,048	1,861,545
Less: Uncollectible Operating Revenues	*209,955*	*227,270*
TOTAL OPERATING REVENUES	$ 59,777,132	$ 53,884,880
OPERATING EXPENSES		
Maintenance	$ 9,358,567	$ 8,567,757
Depreciation	13,644,590	12,749,026
Traffic	5,464,502	5,218,239
Commercial and Marketing	3,594,601	3,243,496
General Administration	3,457,353	2,954,759
Grants in Lieu of Taxes	661,900	611,804
Other Expenses (Note 2)	3,454,234	2,407,882
TOTAL OPERATING EXPENSES (Note 3)	$ 39,635,747	$ 35,752,963
NET OPERATING REVENUE	$ 20,141,385	$ 18,131,917
OTHER INCOME	284,060	214,830
	$ 20,425,445	$ 18,346,747
INTEREST AND RELATED COSTS (Note 4)	5,990,046	5,623,453
NET INCOME FOR THE YEAR	$ 14,435,399	$ 12,723,294
DIVIDEND – Government of Saskatchewan	7,200,000	6,350,000
NET INCOME AFTER DIVIDEND – transferred to retained earnings	$ 7,235,399	$ 6,373,294

The accompanying notes are an integral part of the financial statements.

Saskatchewan Telecommunications

BALANCE SHEET

as at December 31, 1972 (1971)

ASSETS

	1972	1971
TELEPHONE PROPERTY		
Land and Buildings (at cost)	$ 27,757,839	$ 26,932,535
Telephone Plant and Equipment (at cost)	224,585,783	212,413,566
	$ 252,343,622	$ 239,346,101
Less: Accumulated Depreciation	83,381,136	77,758,641
	$ 168,962,486	$ 161,587,460
Construction in Progress	5,405,197	3,010,703
	$ 174,367,683	$ 164,598,163
INVESTMENT – Telesat Canada (Note 5)	$ 999,000	$ 832,500
CURRENT ASSETS		
Cash and Temporary Cash Investments	$ 122,444	$ 257,280
Accounts Receivable (less allowance for doubtful accounts)	8,195,611	6,671,196
Materials and Supplies (at cost)	3,579,858	3,931,955
Prepayments	411,710	377,177
	$ 12,309,623	$ 11,237,608
DEFERRED CHARGES		
Unamortized Discount on Advances	$ 873,531	$ 982,183
	$ 188,549,837	$ 177,650,454

The accompanying notes are an integral part of the financial statements.

LIABILITIES

	1972	1971
LONG TERM LIABILITIES AND RETAINED EARNINGS		
Advances from the Government of Saskatchewan (Note 9)	$ 137,711,793	$ 139,143,595
Less: Equity in Sinking Funds (Note 9)	28,997,532	36,775,605
	$ 108,714,261	$ 102,367,990
Less: Sinking Fund Payments and Repayment of Advances, due within one year (Note 6)	5,735,977	5,427,355
	$ 102,978,284	$ 96,940,635
Retained Earnings	57,122,868	49,887,469
	$ 160,101,152	$ 146,828,104
BANK NOTES PAYABLE (Note 7)	$ 7,000,000	$ 11,800,000
CURRENT LIABILITIES		
Accounts Payable	$ 3,377,230	$ 2,989,006
Interest Accrued on Government Advances	2,060,752	2,138,549
Dividend – Government of Saskatchewan	7,200,000	6,350,000
Service Billed in Advance	770,049	723,464
Sinking Fund Payments and Repayment of Advances, due within one year	5,735,977	5,427,355
	$ 19,144,008	$ 17,628,374
DEFERRED CREDITS		
Unamortized Gain on Retirement of Advances before Maturity (Note 8)	$ 2,304,377	$ 1,393,976
	$ 188,549,837	$ 177,650,454

Saskatchewan Telecommunications

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

For the Year Ended December 31, 1972 (1971)

SOURCE OF FUNDS	1972	1971
Operations		
Net Income for the Year	$ 14,435,399	$ 12,723,294
Add: Depreciation and Other Non-Cash Items (Net)	11,362,500	10,480,372
	$ 25,797,899	$ 23,203,666
Advances from the Government of Saskatchewan	15,093,000	9,461,000
Decrease (Increase) in Working Capital	443,619	(1,505,155)
	$ 41,334,518	$ 31,159,511
DISPOSITION OF FUNDS		
Construction Expenditures		
Gross Construction Expenditures	$ 25,615,826	$ 22,659,544
Less: Net Salvage Value of Plant Retired, Capital Contributions and Non-Cash Charges to Construction	2,164,449	2,723,688
	$ 23,451,377	$ 19,935,856
Investment – Telesat Canada	166,500	499,500
Net Change in Bank Notes Payable	4,800,000	(1,000,000)
Sinking Fund Payments and Advance Repayments	5,716,641	5,374,155
Dividend – Government of Saskatchewan	7,200,000	6,350,000
	$ 41,334,518	$ 31,159,511

NOTES TO FINANCIAL STATEMENTS

NOTE 1– OTHER REVENUES

Other Revenues comprise the following:

	1972	1971
Directory Advertising	$ 1,133,668	$ 1,035,124
Rural Company Connecting Fees	458,815	452,966
Rent and Other	480,565	373,455
	$ 2,073,048	$ 1,861,545

NOTE 2– OTHER EXPENSES

Other Expenses comprise the following:

	1972	1971
Superannuation and Other Employee Benefits (a)	$ 2,054,328	$ 1,536,577
Operating Rents	200,886	204,376
Insurance	39,305	42,752
Other	1,159,715	625,177
	$ 3,454,234	$ 2,407,882

(a) A recent actuarial evaluation of the SASK TEL Superannuation Fund indicates an unfunded liability at July 31, 1972, of approximately $13 million. In order that this liability may be funded by 1990 the employer's rate of contribution to the fund was increased. The total amount provided for this purpose and treated as costs in 1972 was $917,487 (1971 – $506,697).

NOTE 3– TOTAL OPERATING EXPENSES

Expenditures for Administration of the Department of Telephones in the amount of $248,191 in 1972 ($226,917 in 1971) and Other Assistance to Rural Telephone Companies in the amount of $48,789 in 1972 ($27,972 in 1971) are not included as they are reimbursable by grants from the Consolidated Fund of the Province.

NOTE 4– INTEREST AND RELATED COSTS

Interest and Related Costs comprise the following:

	1972	1971
Interest on Advances	$ 8,022,071	$ 7,555,458
Amortization of Discount	108,652	121,778
Gain on Debt Retirement	(211,005)	(283,961)
Bank Notes and Other Interest	287,332	391,854
	$ 8,207,050	$ 7,785,129
Less: Sinking Fund Earnings	2,217,004	2,161,676
	$ 5,990,046	$ 5,623,453

NOTE 5– INVESTMENT – TELESAT CANADA

This represents 99,900 common shares, no par value, of Telesat Canada at an issue price of $10 each.

NOTE 6– SINKING FUND PAYMENTS AND REPAYMENT OF ADVANCES, DUE WITHIN ONE YEAR

	1972	1971
Sinking Fund Payments	$ 5,077,837	$ 4,775,047
Repayment of Advances – Net of Sinking Fund Equity	658,140	652,308
	$ 5,735,977	$ 5,427,355

The advances from the Government of Saskatchewan include a requirement for the corporation to pay annually into a sinking fund administered by the province an amount equal to 3% of the advances made.

NOTE 7– BANK NOTES PAYABLE

Bank notes payable represent intermediate capital financing under a $15 million bank line of credit. The notes bear interest at the prime bank rate.

NOTE 8– UNAMORTIZED GAIN ON RETIREMENT OF ADVANCES BEFORE MATURITY

Under a modified sinking fund policy, advances may be retired prior to maturity through cancellation of Province of Saskatchewan bonds held in the Sinking Fund. The resulting gain will be amortized over the remaining life of the advances. During 1972 advances totaling $14,831,620 were retired prior to maturity and the resulting gain of $1,121,706 was credited to this account. An amount of $211,005 was amortized and credited to earnings as gain on debt retirement in 1972 ($179,628 in 1971).

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9– ADVANCES FROM THE GOVERNMENT OF SASKATCHEWAN

Percent	Due Date		1972 Advance	1972 Sinking Fund Equity	1971 Advance	1971 Sinking Fund Equity
3¼	April 15, 1972		$ –	$ –	$ 1,681,950	$ 1,040,873
4	April 1, 1973	(1)	2,266,334	1,619,721	2,266,334	1,374,131
3¼	June 1, 1974	(1)	2,130,605	1,385,421	2,963,743	1,914,340
3½	Jan. 3, 1975		2,200,800	1,512,264	2,812,000	1,857,295
3¼	May 15, 1975		1,648,050	1,073,466	1,937,250	1,187,044
3½	Oct. 1, 1975		484,000	296,776	558,850	314,405
3¾	Jan. 2, 1976	(1)	3,035,000	1,482,344	4,227,500	2,276,436
4¼	Nov. 1, 1976		1,021,875	486,735	1,245,875	599,642
4¾	April 1, 1977		3,660,000	1,410,652	4,402,000	1,757,042
3½	July 1, 1972-77	(2)	60,740	–	71,972	–
5¼	Oct. 15, 1977		2,549,571	1,066,214	2,920,178	1,204,033
5¼	June 1, 1978		4,238,000	1,040,009	5,000,000	1,549,521
5	Sept. 30, 1979		2,118,300	668,704	3,000,000	1,363,635
6	Oct. 1, 1979		6,366,000	3,128,654	7,500,000	3,827,018
5¼	Oct. 16, 1981		4,080,562	403,676	5,444,687	1,322,450
5½	Nov. 15, 1982		3,437,833	449,057	3,829,333	607,455
5	Sept. 1, 1983		8,983,000	4,850,951	10,800,000	5,960,452
4¾	Jan. 2, 1984	(1)	3,102,000	1,033,685	3,701,800	1,306,213
5½	Jan. 15, 1984		6,012,800	664,154	6,982,000	1,202,366
5½	July 15, 1985		3,521,250	119,970	4,169,250	506,137
5¼	Dec. 1, 1985		6,739,500	639,150	7,762,500	1,172,474
5.605	Sept. 1, 1986		2,022,000		2,022,000	
5.725	Oct. 3, 1986		1,881,000		1,881,000	
5.635	Nov. 1, 1986		1,924,000	2,015,686	1,924,000	1,625,394
5.635	Dec. 1, 1986		1,574,000		1,574,000	
5.735	Jan. 4, 1987		1,910,000		1,910,000	
6	March 1, 1987		4,142,000	139,394	4,606,000	370,201
5.605	June 1, 1987		772,000	135,316	772,000	104,351
6.565	Sept. 3, 1988		1,223,000		1,223,000	
6.525	Oct. 1, 1988		777,000		777,000	
7.295	Feb. 3, 1989		1,500,000	664,920	1,500,000	487,074
7.235	March 4, 1989		1,500,000		1,500,000	
7.595	Sept. 2, 1989		3,701,000	680,876	3,701,000	442,910
7.725	Oct. 1, 1989		3,399,000		3,399,000	
4 7/8	Oct. 1, 1990	(1)	8,230,000	1,137,522	8,680,000	1,107,434
8.125	Sept. 1, 1990		3,677,000		3,677,000	
8.015	Oct. 1, 1990		3,337,000	605,460	3,337,000	295,279
8.035	Nov. 2, 1990		2,792,000		2,792,000	
6.955	May 3, 1991		5,306,000		5,306,000	
7.205	June 1, 1991		981,000	286,755	981,000	
7.385	July 2, 1991		3,174,000		3,174,000	
7.505	May 1, 1992		4,658,000		–	
7.505	June 1, 1992		5,278,000		–	
7.635	Nov. 1, 1992		2,714,000		–	
7.505	Dec. 1, 1992		2,443,000		–	
			$ 136,571,220	$ 28,997,532	$ 138,003,022	$ 36,775,605
	Provision for Exchange Premium on Advances Repayable in United States Dollars	(3)	1,140,573	–	1,140,573	–
			$ 137,711,793	$ 28,997,532	$ 139,143,595	$ 36,775,605

(1) Repayable in United States dollars.

(2) Serially Maturing 1972 through 1977.

(3) This provision comprises the exchange premium at time of issue of the 4 7/8 U.S. pay advance maturing October 1, 1990, of $736,473 and $404,100 provided out of income in respect of the other U.S. pay advances. No further provision has been made since 1970 when the Canadian dollar rose to approximately equal the U.S. dollar on the market. The exchange rate which will obtain at the date of maturity of the various U.S. pay advances cannot now be determined. However based on exchange rates as of December 31, 1972, the provision is approximately $1,201,000 in excess of requirements. The respective portion of the provision will be applied towards any exchange premium incurred at time of maturity of each advance and the balance if any will be taken into income at that time.

AUTOMATIC SERVICE AND DIRECT DISTANCE DIALING

EXCHANGES CONVERTED TO DIAL SERVICE AND DDD – 1972

1. Admiral
2. Briercrest
3. Cadillac
4. Choiceland
5. Coderre
6. Creelman
7. Duck Lake
8. Glen Ewen
9. Green Lake
10. Harris
11. Hazlet
12. Landis
13. Lintlaw
14. Margo
15. Milden
16. Norquay
17. Odessa
18. Pangman
19. Pelly
20. Piapot
21. Prudhomme
22. Rhein
23. Sedley
24. Smeaton
25. Spy Hill
26. Tantallon
27. Tramping Lake
28. Vibank
29. Vonda
30. Welwyn
31. White Fox

EXCHANGES SCHEDULED FOR DIAL SERVICE AND DDD – 1973

1. Avonlea
2. Birsay
3. Brock
4. Buchanan
5. Christopher Lake
6. Conquest
7. Dubuc
8. Goodeve
9. Grayson
10. Jansen
11. Loon Lake
12. Marcelin
13. Meacham
14. Paddockwood
15. Pierceland
16. Riceton
17. Scott
18. Sheho
19. Springside
20. St. Brieux
21. St. Gregor
22. Togo
23. Torquay
24. Warman
25. Wilcox
26. Wiseton
27. Yellow Creek

EXCHANGES (PREVIOUSLY DIAL) ADDED TO DDD NETWORK – 1972

1. Alsask
2. Archerwill
3. Bruno
4. Coleville
5. Eatonia
6. Elfros
7. Eston
8. Humboldt
9. Kelvington
10. Kindersley
11. Lake Lenore
12. Leroy
13. Middle Lake
14. Quill Lake
15. Rose Valley
16. Smiley
17. St. Benedict
18. Wadena
19. Watson
20. Wynyard

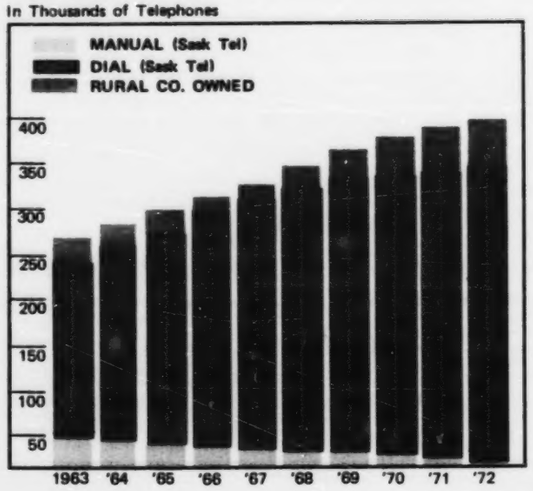
DIAL EXCHANGES SCHEDULE FOR DDD – 1973

1. Buffalo Narrows
2. Ile-a-La Crosse

TELEPHONES

SWITCHED BY SASK TEL

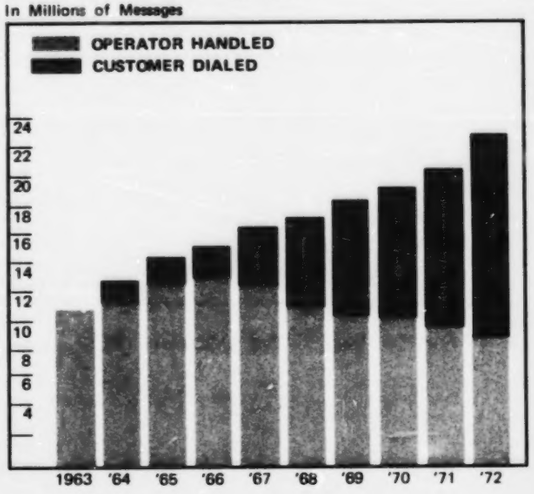
In Thousands of Telephones



LONG DISTANCE MESSAGES

ORIGINATING IN SASKATCHEWAN

In Millions of Messages



SASKTEL

TEN-YEAR RECORD OF PROGRESS

at December 31	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
TELEPHONES										
Sask Tel Owned	344,661	328,126	314,981	306,883	297,009	282,022	265,765	247,876	230,289	215,225
Percent Dial	98.9%	97.7%	96.6%	95.5%	94.4%	92.5%	91.6%	90.4%	89.0%	86.4%
Connected*	110,233	100,608	94,527	96,581	94,817	91,802	87,162	83,251	65,342	65,470
Net Increase*	16,535	13,145	8,098	9,874	14,987	16,257	17,889	17,587	15,064	12,364
Rural Company Owned (Switched by Sask Tel)	50,616	50,723	51,062	51,583	52,357	52,815	53,231	52,787	52,553	52,333
Percent Dial	95.1%	89.6%	85.8%	80.6%	76.8%	68.0%	63.3%	58.0%	51.5%	44.0%
Telephones Per 100 People	43.1	40.9	39.3	37.6	36.4	35.1	33.6	31.9	30.6	29.2
NUMBER OF EXCHANGES	337	345	359	370	376	387	386	382	380	373
NUMBER OF TOLL OFFICES	26	18	21	42	49	56	57	74	83	98
LONG DISTANCE MESSAGES										
(Origin – Saskatchewan)*	23,170,000	20,653,000	18,896,000	18,272,000	17,351,000	16,443,000	15,448,000	14,182,000	12,536,000	11,299,000
FINANCE										
Operating Revenues*	$ 59,777,132	$ 53,884,880	$ 50,546,121	$ 47,094,799	$ 43,265,574	$ 40,137,356	$ 36,112,256	$ 32,554,096	$ 28,829,557	$ 25,974,721
Operating Expenses*	$ 39,635,747	$ 35,752,963	$ 33,820,673	$ 30,891,950	$ 29,101,025	$ 26,741,176	$ 24,659,665	$ 22,131,105	$ 20,394,380	$ 18,546,586
Interest and Related Costs*	$ 5,990,046	$ 5,623,453	$ 5,619,200	$ 5,847,196	$ 5,730,079	$ 5,363,953	$ 4,846,886	$ 4,519,804	$ 4,029,851	$ 3,486,619
Net Income*	$ 14,435,399	$ 12,723,294	$ 11,718,116	$ 10,775,878	$ 8,592,856	$ 8,321,528	$ 6,831,255	$ 6,182,595	$ 4,715,591	$ 4,158,271
Dividend—Government of Saskatchewan*	$ 7,200,000	$ 6,350,000	$ 5,850,000	$ 5,400,000	$ 4,300,000	$ 4,150,000	$ 3,800,000	$ 3,932,595	$ 4,715,591	$ 4,158,271
Telephone Property	$257,748,819	$242,356,804	$229,150,171	$217,707,821	$202,533,233	$189,163,848	$172,411,573	$157,015,013	$146,683,866	$131,930,987
Advances from Government of Saskatchewan	$137,711,793	$139,143,595	$132,101,625	$147,831,422	$137,579,814	$136,877,940	$129,043,807	$122,835,266	$112,828,161	$ 97,537,290
Debt as a Percent of Year-End Capital	71.7%	75.2%	76.7%	80.9%	82.4%	83.5%	84.4%	85.5%	85.9%	84.1%
EMPLOYEES AND PAYROLL										
Men	1,279	1,221	1,190	1,174	1,149	1,128	1,104	1,045	1,014	985
Women	1,277	1,228	1,244	1,261	1,298	1,319	1,308	1,265	1,167	1,114
Total	2,556	2,449	2,434	2,435	2,447	2,447	2,412	2,310	2,181	2,099
Salaries and Wages Earned*	$ 20,395,198	$ 17,896,384	$ 16,351,550	$ 15,348,911	$ 14,398,026	$ 13,401,193	$ 12,408,576	$ 11,432,628	$ 10,653,451	$ 9,858,921

* For the Year Ended December 31

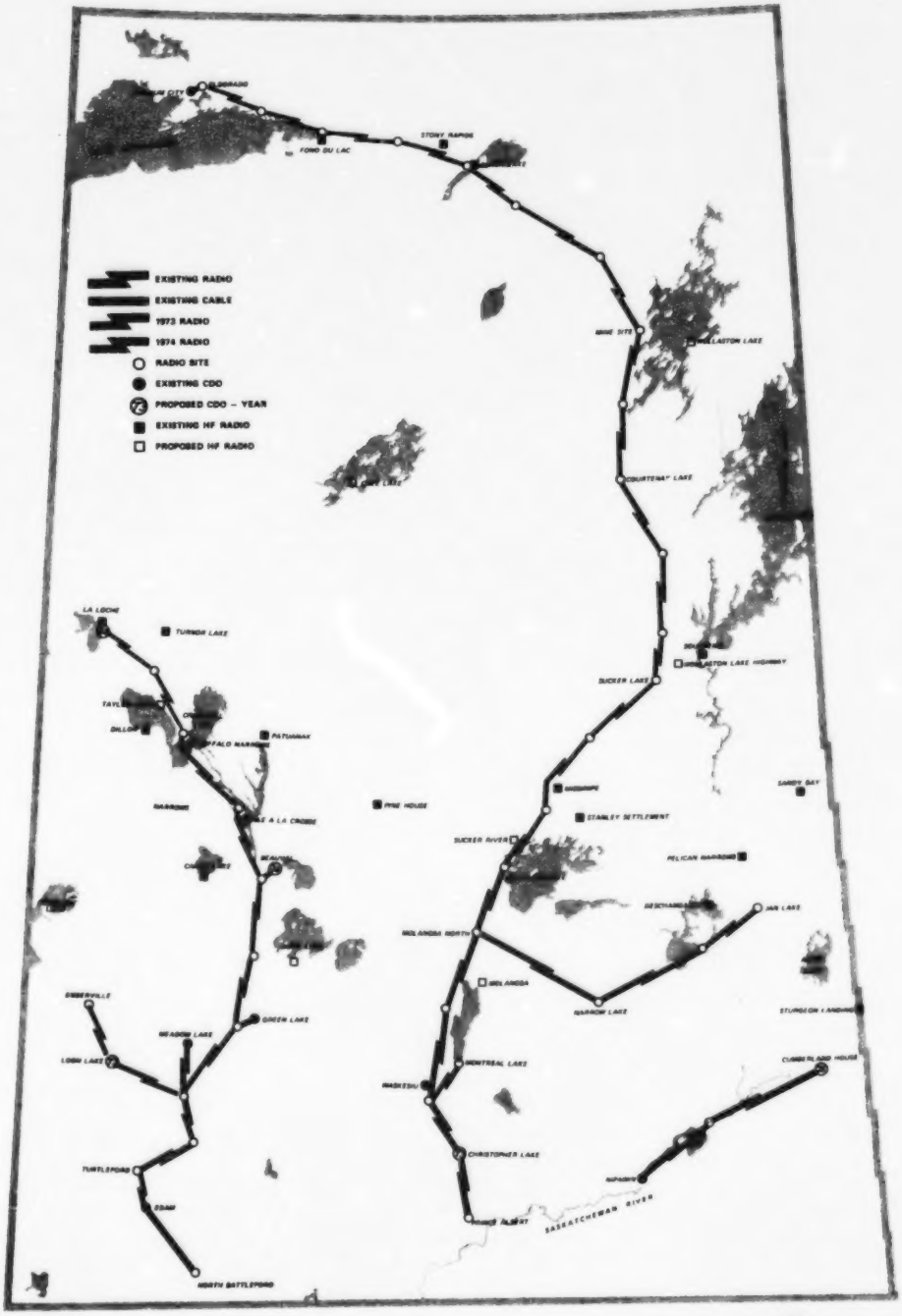
SASKTEL

TELEPHONE EXCHANGES

DIAL ● MANUAL ○

SASKTEL

NORTHERN TELECOMMUNICATIONS SERVICES



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